

# **CONTRACTOR COMPLIANCE ACTIVITY REPORT**

**Department of Labor and Industries**

**December 1, 2001**

## Summary

The law governing contractors working in Washington (Chapter 18.27 RCW) continues to receive significant attention from the Legislature. In fact, in the 2001 legislative session Chapter 159, Laws of 2001 (Substitute Senate Bill 5101) was enacted for purposes of increasing consumer protection and addressing unregistered contractors. Among several other things, this new law:

- Increases specialty-contractor bonds from \$4,000 to \$6,000; general-contractor bonds from \$6,000 to \$12,000; and personal-injury-insurance requirements from \$100,000 to \$250,000.
- Allows increases in bonding requirements up to \$36,000 for contractors with outstanding judgments.
- Ensures that up to 50 percent of the bond is reserved for consumers.
- Increases the penalties for false advertising from \$5,000 to \$10,000.
- Requires contractors to give customers an expanded disclosure statement about consumer rights.
- Allows L&I to deny or suspend a contractor's registration if there are outstanding judgments.
- Provides L&I with additional authority to collect penalties and fines.
- Requires L&I to provide and conduct consumer and contractor outreach and education.
- Establishes the Unregistered Contractors Enforcement Team consisting of members from Employment Security Department, Department of Revenue, L&I, and other interested parties for purposes of developing a plan for addressing unregistered contractors.

This new law significantly improves the protections provided to consumers and L&I's compliance enforcement authority to address unprofessional and unlawful contractors. This increased compliance enforcement allows L&I to better address the "underground economy" - illegal construction contractors who operate at a competitive advantage over lawful contractors. L&I is committed to reducing, if not eliminating, the underground economy and ensuring that consumer protection is available for all customers of contractors.

L&I is required by RCW 18.27.342 to provide the House Commerce and Labor, Senate Labor, Commerce and Financial Institutions, Senate Ways and Means, and House Appropriations Committees with an annual activity report concerning contractor compliance activities with information from the previous three fiscal years.

The following is a summary of the information in this report:

Table 1. Number of contractors found to have committed an infraction for failure to register.

<b>FY 99</b>	<b>FY 00</b>	<b>FY 01</b>
848	939	929

Table 2. Number of contractors identified in Table 1 who were assessed a monetary penalty and the amount of the penalties assessed.

<b>FY 99</b>	<b>FY 00</b>	<b>FY 01</b>
848	939	929
\$829,675	\$1,072,000	\$1,155,100

Table 3. The amount of penalties reported in Table 2 that were collected.

<b>FY 99</b>	<b>FY 00</b>	<b>FY 01</b>
\$256,093	\$217,462	\$229,538

Please note: FY99 data has been revised from prior reports as more accurate data has become available.

Table 4. The amount of penalties reported in Table 2 that were waived.

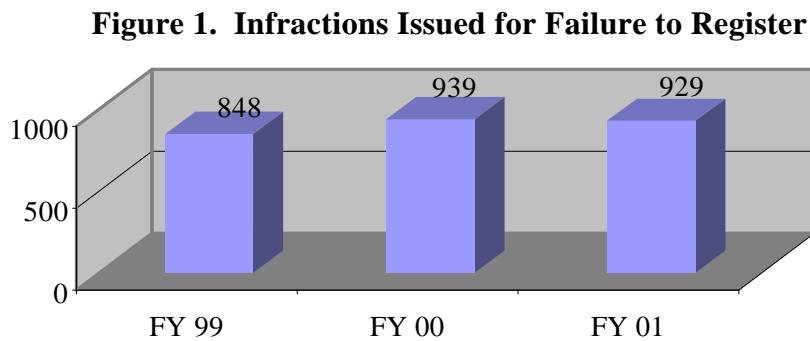
<b>FY 99</b>	<b>FY 00</b>	<b>FY 01</b>
\$0*	\$0*	\$0*

\* From the effective date of 1997 legislation (July 27, 1997), the department has discontinued the practice of waiving penalties. For further clarification, see page 4.

### Question #1

**The number of contractors found to have committed an infraction for failure to register:**

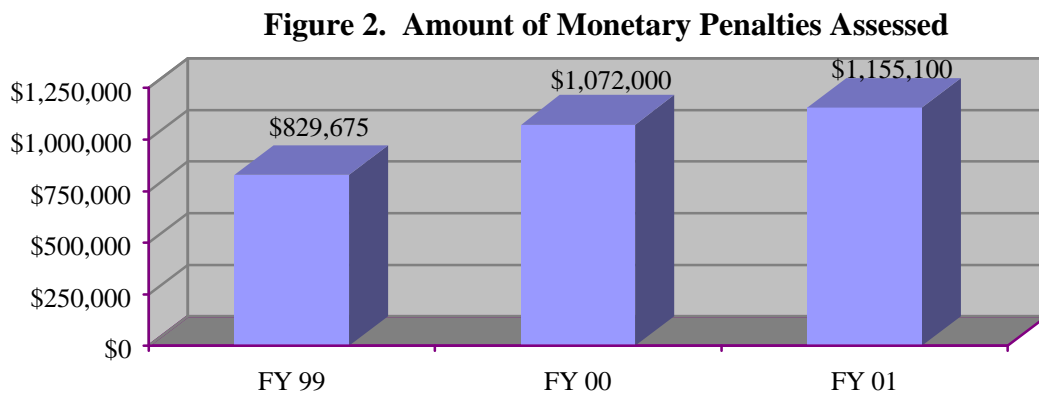
In FY 01, 929 contractors were issued a penalty for failure to register.



### Question #2:

**The number of contractors identified in Figure 1 who were assessed a monetary penalty and amount of the penalties assessed:**

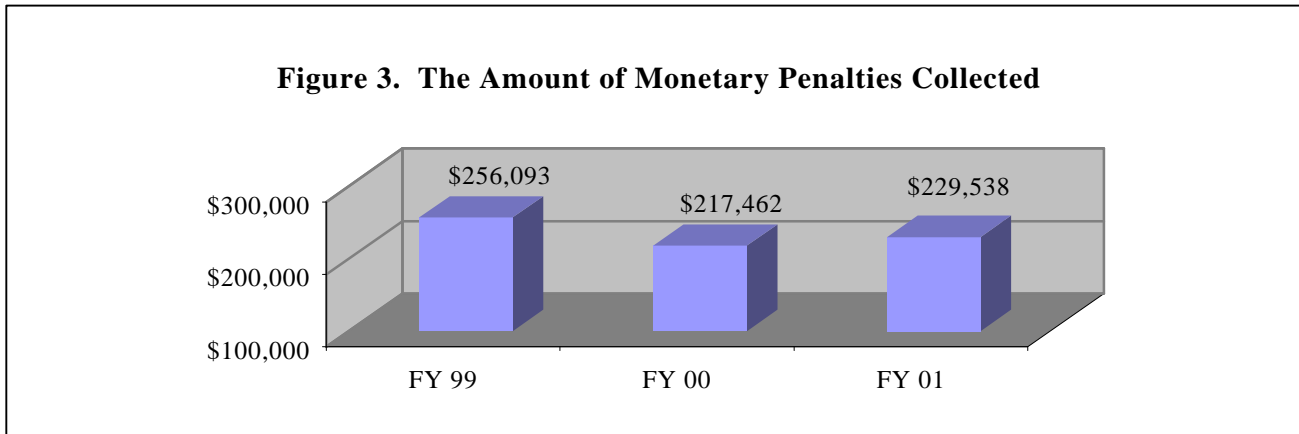
In FY 01, the department assessed \$1,155,100 in penalties.



### Question #3

#### The amount of penalties reported in Figure 2 that were collected:

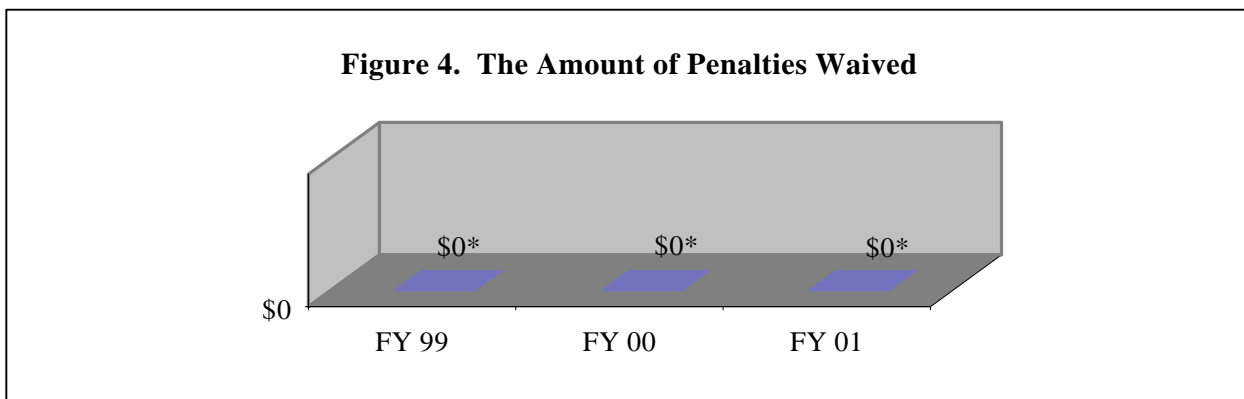
The department refers all uncollected penalties to private collection agencies. Please note that FY99 data has been revised from prior reports as more accurate data has become available.



### Question #4

#### The amount of the penalties reported in Figure 2 that were waived:

Prior to the effective date of SHB 1903 (July 27, 1997), the department would waive a monetary penalty, for example, when a first-time offender would promptly come into full compliance with the law.



\* Although waiving penalties no longer occurs, contractors who comply with the provisions of RCW 18.27.340(3) within 10 days may have their penalty reduced.

RCW 18.27.340(3) states: “A contractor found to have committed an infraction under RCW 18.27.200 for failure to register shall be assessed a fine of not less than one thousand dollars, nor more than five thousand dollars. The director may reduce the penalty for failure to register, but in no case below five hundred dollars, if the person becomes registered within ten days of receiving a notice of infraction and the notice of infraction is for a first offense.”

## Conclusion

L&I continues to focus on compliance enforcement. However, at the same time, the department is applying strategies that promote voluntary compliance. Examples of these strategies include public awareness campaigns, attending public forums for purposes of information sharing, electronic access to program information via the Internet 24 hours a day, and the availability of our customers to speak with agency staff via our toll-free hotline (800-647-0982) from 7:30 a.m. to 5:00 p.m., including the lunch hour.

As can be seen from this report, L&I's efforts to ensure compliance with the contractor registration laws have not resulted in increased collections relative to the amount of penalties assessed. However, with the passage of SSB 5101 L&I now has additional collection authority with which to lien property, garnish wages and seize accounts for unpaid penalties and registration dues. Prior to the effective date of this Act, L&I would refer all of the outstanding penalties to independent collection agencies. As can be seen from the report, these referrals did not result in a substantial amount of monies collected.

In addition to this new collection authority, SSB 5101 created the "Unregistered Contractor Enforcement Team." This team includes members from the Employment Security Department, the Department of Revenue, and other interested stakeholders for purposes of developing a plan in order to create strategies and performance measures for addressing unregistered contractors and the underground economy.

L&I remains committed to do whatever is necessary to protect consumers and to eliminate the underground economy.